GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:460
ANSWERED ON:16.05.2006
INDO PAK TRADE
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether India and Pakistan have decided to sort out outstanding trade related issues;

(b) if so, the details thereof and the agreement reached between the two countries;

(c) whether Pakistan has decided to import tea and garments from India;

(d) if so, the extent to which trade is likely to be increased with Pakistan;

(e) whether Pakistan has also decided to extend South Asia Free Trade Agreement(SAFTA) to be operational from July 1, 2006;and

(f) the quantum of trade between India and Pakistan at present and the extent to which it will be improved further?

Answer

MINISTER OF COMMERCE AND INDUSTRY (SHRI KAMAL NATH)

(a) to (f) A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (f) OF LOK SABHA STARRED QUESTION NO. 460 FOR ANSWER ON 16.05.2006 REGARDING "INDO PAK TRADE".

(a) and (b). India and Pakistan have set up a Joint Study Group (JSG) at the level of Commerce Secretaries for adopting a strategy for boosting trade between the two countries. Two meetings of JSG have taken place so far in February, 2005 in New Delhi and in March, 2006 in Islamabad. Two Working/Sub Groups have been constituted, one on Customs Cooperation and Trade Facilitation Measures and other on Non Tariff Barriers.

Apart from the JSG, three rounds of talks on economic and commercial cooperation between India and Pakistan within the framework of the Composite Dialogue have been held, the last in Islamabad in March, 2006. The highlights of some of the discussions are as follows:

Agreed to open branches of scheduled banks in each country on a reciprocal basis.

Agreed to identify the problems of transportation of goods by rail between the two countries.

Agreed to constitute a Working Group to discuss the issues relating to joint registration of Basmati rice.

Pakistan to consider enlarging the list of importable items from India.

The Indian side proposed to convene a meeting of the relevant technical level experts at the Attari-Wagah Border to draw up proposals to upgrade infrastructure to facilitate trade including export of transit cargo of Afghanistan which was noted by Pakistan side.

It was decided to sign the revised Shipping Protocol between India and Pakistan on a mutually convenient date after completing our constitutional procedures; the revised protocol would allow lifting of cargo between the two countries by third country vessels as well as lifting of third country cargo by Indian and Pakistani flag vessels from each other's ports which is expected to enhance tonnage under both the flags and also result in competitive shipping rates.

Both the countries have revived the Joint Commission in which the Foreign Ministers of both countries meet to discuss bilateral issues including trade and economic cooperation. Plenary session of Joint Commission was held on 4 October 2005 in Islamabad.

(c) At present the imports into Pakistan from India are restricted to the items in their Positive List. In the present list of 773 items tea is included and the garments not included. During the 3rd round of India-Pakistan trade talks within the Composite Dialogue, both sides decided to encourage delegations of importers and exporters of tea to visit respective countries. It was also noted in the meeting that after the new Shipping Agreement comes into effect, import of tea from India would be facilitated further.

(d) Pakistan imported 10.9 million kgs of Indian tea valued at Rs. 46.60 crores in the year 2005. After the visit of a delegation of Pakistan Tea Association to India which was hosted by the Tea Board in April 2006, it is expected that the exports of tea from India to Pakistan would be around 20 million Kgs in the current year i.e. 2006.

While tea is exported from India to Pakistan, there is no import of tea from Pakistan into India.

(e) The Agreement on South Asian Free Trade Area (SAFTA) has come into force from 1 January 2006 and its phased tariff liberalization programme (TLP) is scheduled to be effected from 1st July 2006. Pakistan ratified the SAFTA Agreement unconditionally.

(f) The quantum of trade between India and Pakistan for the last three years is given below:

(In US$ Million; source DGCIS Kolkata)

YEAR	exports TO PAKISTAN FROM INDIA	IMPRTS FROM PAKISTAN IN INDIA	Total Trade EXPORT TO PAKISTAN IN IMPORT FROM PAKISTAN	%AGE GROWTH %Growth OVER PAKISTAN	%AGE GROWTH Bilateral trade PAKISTAN
2002-03	206.16	44.85	251.01		
2003-04	286.94	57.65	344.59	39	29	37
2004-05	505.44	95.33	600.77	76	65	74
2004-05 (Apr-Dec.)	366.26	70.88	437.14			
2005-06 (Apr-Dec.)	421.57	141.51	563.08	15	99	29

The above statement shows that there is steady growth in the bilateral trade. It is expected that the volume of bilateral trade will increase further.